

**01070**

**1989/06/04**

TEXT OF TELEGRAM 89BEIJIN015420 UNCLASSIFIED

ADP901  
CONFIDENTIAL

(X14)  
RELEASED IN PART

B1

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ACTION EAP-00

INFO	LOG-00	ADS-00	INR-07	SS-00	CIAE-00	EB-00	DODE-00
	NSCE-00	NSAE-00	L-03	TRSE-00	PM-10	AIT-02	OMB-01
	STR-18	INRE-00	OES-09	ACDA-12	SP-02	SNP-01	E-01
	P-02	T-01	/069 W				

-----020226 050213Z /61

R 040328Z JUN 89  
FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC 0063  
INFO USDOC WASHDC  
AMEMBASSY TOKYO  
AMCONSUL HONG KONG  
AMCONSUL SHANGHAI  
AMCONSUL GUANGZHOU  
AMCONSUL SHENYANG  
AMCONSUL CHENGDU  
AIT TAIPEI

C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 15420

NSC FOR DOUG PAAL

PASS USTR FOR A. SIMMONS

USDOC FOR 4420/ITA/IEP/EAP/OPH/CLUCYK

E.O. 12356: DECL:OADR  
TAGS: ECON, PGOV, SOCI, CH  
SUBJECT: REFORM THINK TANKS PREPARING FOR ROCKY TIMES  
-- AHEAD

1. CONFIDENTIAL ENTIRE TEXT.

2. SUMMARY: AMID AN ATMOSPHERE OF GLOOM ENGENDERED  
BY THE APPARENT VICTORY OF BEIJING'S CONSERVATIVE  
LEADERS, [REDACTED]

[REDACTED]

[REDACTED] TOLD ECONOFF THAT THE INSTITUTE IS LIKELY  
TO BE ABOLISHED AS A RESULT OF ITS OPEN SUPPORT FOR  
STUDENT DEMONSTRATORS. ACCORDING TO [REDACTED]  
BECAUSE OF THE INSTITUTE'S ROLE IN AUTHORIZING A MAY 19  
DECLARATION SUPPORTING THE STUDENTS AND PREDICTING  
THAT BEIJING MIGHT ENFORCE MARTIAL LAW, THE  
INSTITUTE'S DIRECTOR AND OTHER LEADERS WILL PROBABLY  
BE SACKED, AND THE INSTITUTE ITSELF MAY BE COMBINED

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WITH SOME OTHER RESEARCH ORGANIZATION [REDACTED]  
[REDACTED] ALSO BELIEVES THAT [REDACTED] INFLUENCE,  
WHICH WAS ALREADY WANING AS ECONOMIC REFORMS HAVE  
BEEN PUT ON HOLD, WILL BE EVEN FURTHER DIMINISHED  
[REDACTED]

3. IN A SEPARATE CONVERSATION WITH ECONOFF. [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED] HAS  
PERSONALLY TAKEN RESPONSIBILITY FOR HIS INSTITUTE'S  
SIGNING THE MAY 19 DECLARATION IN AN ATTEMPT TO LIMIT  
LEADERSHIP REPRISALS AGAINST THE INSTITUTE'S  
RESEARCHERS. THE JOURNALIST ALSO INDICATED THAT  
FORMER HU YAOBANG PROTEGE [REDACTED]  
[REDACTED]

[REDACTED] HAS TAKEN SICK, BUT INDICATED THAT THE  
ILLNESS WAS POLITICAL.

4. COMMENT: THE COMMON THREAD IN THESE STORIES IS  
THAT REFORM SUPPORTERS IN BEIJING ARE PREPARING FOR  
ROCKY TIMES AHEAD ONCE THE CONSERVATIVES IN THE  
LEADERSHIP PUT THEIR HOUSE IN ORDER AND CAN TURN TO  
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FRYING SMALLER FISH. THE REGIME HAS TAKEN FEW  
CONCRETE STEPS AGAINST THE REFORM INSTITUTES SO FAR,  
HOWEVER, AND IT IS NOT ENTIRELY CLEAR HOW HARSHLY  
THEY WILL BE DEALT WITH. END SUMMARY AND COMMENT.

RESEARCH CENTERS VULNERABLE AFTER MAY 19 DECLARATION  
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5. [REDACTED]  
[REDACTED]  
[REDACTED] ABOUT RECENT HONG KONG PRESS REPORTS  
THAT THE INSTITUTE, ALONG WITH SEVERAL OTHER BEIJING  
THINK TANKS, WAS GOING TO BE SHUT DOWN FOR SUPPORTING  
THE DEMANDS OF STUDENT PROTESTORS. [REDACTED]

INDICATED THAT THE INSTITUTE'S MAIN PROBLEM IS THAT  
IT TOOK THE LEAD IN AUTHORIZING A MAY 19 6-POINT  
DECLARATION IN SUPPORT OF STUDENTS. THE DECLARATION  
ALSO SUGGESTED THAT CHINESE AUTHORITIES WOULD DECLARE  
MARTIAL LAW IF THE PROTESTS CONTINUED -- A POINT  
THAT PARTICULARLY ANGERED BEIJING'S CONSERVATIVE  
LEADERS SINCE IT SEEMED TO TIP THEIR HAND TO THE  
STUDENTS. AS A RESULT, IT IS LIKELY THAT  
CONSERVATIVES WILL TAKE STEPS TO PUNISH THE FOUR  
INSTITUTES THAT SIGNED THE DECLARATION. IN ADDITION  
TO THE CRES RI, THE DECLARATION WAS SUPPORTED BY THE

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BEIJING SOCIETY OF YOUNG ECONOMISTS (WHICH IS IN FACT CLOSELY LINKED WITH THE CRES RI), CITIC INTERNATIONAL RESEARCH, AND THE RURAL DEVELOPMENT INSTITUTE UNDER THE STATE COUNCIL'S RURAL DEVELOPMENT RESEARCH CENTER.

6.  SUGGESTED THAT SO FAR THE ONLY THING

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	P-02	T-01	/069 W				

-----020227 050213Z /61

R 040328Z JUN 89  
FM AMEMBASSY BEIJING  
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INFO USDOC WASHDC  
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C O N F I D E N T I A L SECTION 02 OF 03 BEIJING 15420

NSC FOR DOUG PAAL

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THAT HAS HAPPENED AT THE CRES RI IS THAT RESEARCHERS  
HAVE BEEN TOLD NOT TO LEAVE THE COUNTRY. THIS MAY  
FORCE TWO CRES RI RESEARCHERS TO CANCEL PLANS TO TAKE  
ADVANTAGE OF USIS INTERNATIONAL VISITORS PROGRAM AND  
HUMPHREY PROGRAM GRANTS. LOOKING AHEAD, [REDACTED]  
OPINED THAT THE CRES RI MIGHT BE COMBINED WITH SOME  
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OTHER INSTITUTE UNDER CRES AS A WAY OF ABOLISHING  
IT. [REDACTED]

[REDACTED] CRES  
ITSELF, WHICH IS CLOSELY LINKED WITH APPARENTLY  
ECLIPSED PARTY LEADER ZHAO ZIYANG AND HIS ASSOCIATE  
BAO TONG, WILL PROBABLY HAVE LESS INFLUENCE UNDER THE  
NEW LEADERSHIP. IN FACT, SINCE MANY ASPECTS OF  
REFORM HAD ALREADY BEEN SHELVED BY BEIJING'S ECONOMIC

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RETRENCHMENT PROGRAM, THE COMMISSION WAS FINDING ITSELF OUT OF THE POLICY-MAKING LOOP LONG BEFORE THE STUDENT DEMONSTRATIONS BEGAN.

CASS, ETSDRG LIKELY TO AVOID FALLOUT

7. COMMENTING ON OTHER BEIJING-BASED RESEARCH ORGANIZATIONS, [REDACTED] SUGGESTED THAT THE CHINESE ACADEMY OF SOCIAL SCIENCES (CASS) WON'T COME UNDER TOO MUCH PRESSURE, EVEN THOUGH CASS RESEARCHERS HUNG POSTERS SUPPORTING THE STUDENTS AND DENOUNCING PREMIER LI PENG OUT THEIR BUILDING'S WINDOWS. THIS IS IN PART BECAUSE THE POSTERS WERE HUNG OUT OF MEETING ROOM WINDOWS RATHER THAN INDIVIDUAL OFFICES. THEREFORE, AUTHORITIES COULDN'T BE SURE WHICH RESEARCHERS, OR EVEN WHICH CASS INSTITUTES, WERE RESPONSIBLE. [REDACTED] ALSO NOTED THAT THE ECONOMIC, TECHNICAL, SOCIAL DEVELOPMENT RESEARCH CENTER UNDER THE STATE COUNCIL HAD AVOIDED OPENLY SUPPORTING THE STUDENTS, IN PART BECAUSE THE CENTER WAS STAFFED WITH OLDER, AND MORE CAUTIOUS, RESEARCHERS. THEREFORE, [REDACTED] BELIEVES THE CENTER IS OUT OF THE LINE OF FIRE.

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LEADERSHIP CRACKDOWN TO FORESTALL WIDER PROTESTS LATER

8. REVIEWING THE LEADERSHIP'S APPARENT DECISION TO TAKE A TOUGH LINE ON STUDENT DEMANDS, [REDACTED] OPINED THAT ONE FACTOR MAY HAVE BEEN THE EXPECTATION THAT ECONOMIC CONDITIONS IN CHINA WILL DETERIORATE LATER THIS YEAR AND NEXT YEAR. SINCE IT IS LIKELY THAT SHORTAGES WILL WORSEN AND INFLATION WILL HEAT UP OVER THE NEXT YEAR, THE LEADERSHIP MAY HAVE FELT IT NECESSARY TO TAKE A TOUGH LINE AGAINST STUDENT DEMANDS AT THIS TIME, OR FACE EVEN WIDER PROTESTS AND TOUGHER DEMANDS OVER ECONOMIC ISSUES IN THE FUTURE. IF, FOR EXAMPLE, THE STUDENTS GOT THEIR WAY NOW, LARGER DEMONSTRATIONS MIGHT EMERGE DURING UPCOMING ANNIVERSARIES OF MAJOR STUDENT MOVEMENTS, SUCH AS DECEMBER 9, WHEN ECONOMIC COMPLAINTS WILL BE EVEN LOUDER. [REDACTED] CONCLUDED BY LAMENTING THAT AT BOTTOM, THE LEADERSHIP'S SUPPRESSION OF DEMANDS FOR POLITICAL LIBERALIZATION WAS A KNEE-JERK REACTION, BRED BY DECADES OF OBSESSION WITH MAINTAINING POWER AT ALL COSTS. HE ALSO NOTED ONE OF THE STUDENT SLOGANS -- ONE IS BIGGER THAN FIVE (YI BI WU DA) -- SUGGESTING THAT EVEN THOUGH THE FIVE MEMBERS OF THE POLITBURO STANDING COMMITTEE ARE NOMINALLY THE MOST

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POWERFUL MEN IN CHINA, IN REALITY POWER STILL RESTS  
WITH THE PREEMINENT LEADER: DENG XIAOPING.

TALES FROM THE THINK TANKS

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9. IN A SEPARATE CONVERSATION,

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[REDACTED]  
WITH EXCELLENT LINKS WITH BEIJING'S ECONOMISTS SHARED  
SOME NEWS ABOUT CONDITIONS AT BEIJING'S THINK TANKS  
WITH ECONOFF. UNDERSCORING PROBLEMS AT CRES RI, [REDACTED]

[REDACTED] NOTED THAT RESEARCHERS THERE ARE NOW  
MAINLY CONCERNED WITH FIRING UP THEIR APARTMENT  
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ARRANGEMENTS, SO THAT IF THE INSTITUTE IS SHUT DOWN,  
THEY WILL BE ABLE TO HOLD ON TO THEIR HOUSING. [REDACTED]

[REDACTED] ALSO NOTED [REDACTED]

[REDACTED] HE ALONE SHOULD BE HELD RESPONSIBLE FOR HIS  
INSTITUTES' SUPPORT FOR STUDENT PROTESTORS,  
APPARENTLY IN HOPES OF SHIELDING RESEARCHERS AND  
STAFF FROM REPRISALS. [REDACTED] INDICATED THAT  
IS WAS TOO EARLY TO TELL WHETHER CHEN WOULD SUFFER

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BECAUSE OF HIS STAND.

[REDACTED] TAKES TO BED  
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[REDACTED]

COMMENT  
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11. COMMENT: WE REPORT THIS INFORMATION TO REFLECT THE CURRENT ATMOSPHERE IN BEIJING, WHERE IT IS WIDELY BELIEVED THAT CONSERVATIVES HAVE TRIUMPHED OVER ZHAO AND HIS SUPPORTERS. THE CAMPAIGN AGAINST REFORM-MINDED RESEARCH INSTITUTES REPORTED IN SOME  
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HONG KONG NEWSPAPERS HAS NOT FULLY MATERIALIZED HERE YET. THOUGH MANY REFORMERS ARE PREPARING FOR THE WORST, THERE IS STILL HOPE THAT THE NEW LEADERSHIP WILL BE LESS HARSH TOWARDS THESE INSTITUTES AND THEIR STAFFS. BUT SOME PROMINENT INSTITUTE DIRECTORS ARE CLEARLY IN LINE FOR REPRISALS, ONCE THE LEADERSHIP CAN TURN ITS ATTENTION TO FRYING SMALLER FISH.  
LILLEY

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